

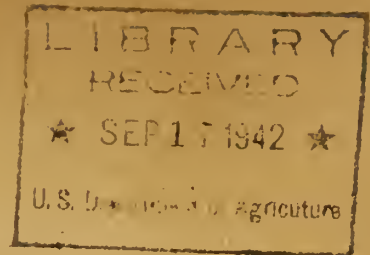
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UNITED STATES DEPARTMENT OF AGRICULTURE
U. S. Agricultural Marketing Administration

BUYING FOOD FOR WAR NEEDS



By C. W. Kitchen, Associate Administrator

Address, The Southern Regional Training School, American Farm Bureau Federation
Raleigh, N. C., August 17, 1942

Food produced on American farms is today following the fast moving tank attacks on the deserts of North Africa. It is making it possible for the sturdy British people to keep up the fight. It is supplying our soldiers and sailors in Australia and the British troops in India and other fronts. Polish and fighting French soldiers are carrying Lend-Lease supplies of army biscuits, canned meat, and dried fruit. Bomber crews making the long flights to blast Hamburg, Cologne, Bremen, and other Nazi industrial and military centers, carry orange juice, cheese and other condensed foods from American farms. The courageous and determined Russian armies eat from field kitchens partially supplied with foods from the United States.

As farmers and farm people, you are being depended upon by the lovers of freedom everywhere to produce the food needed to win this war. Food ranks in importance with bombers, and tanks, and ships. It plays no favorites, and it has never been outdated. Civilian populations, without adequate nourishment cannot supply their armed forces. The opposing armies can fight only when and where they can get food. The strategy of each of the opposing forces is to deprive its enemies of food. Modern armies move faster and are more destructive than any in history, but they are old-fashioned when it comes to food. They still travel on their stomachs.

We all know that the United Nations must throw their combined resources against the Axis to stop the onslaught aimed at world conquest. Our capacity to produce food is vital to that united effort. It is true that we have some shortages of men and materials for our maximum agricultural production--and yet, we are in a far better position to produce food and fodder than most of our allies. At least our field and range lands are free to be used for raising crops and producing livestock. They are not battlegrounds. Our soil still bears the marks of plows instead of tank treads, and bomb holes. Our fields and our farmers have not experienced the policy of the scorched earth.

In a relatively short time our agricultural plant has been converted to war production, despite many difficulties. Our ingenious, hard-working American farmers have been equal to the job. They have answered with the greatest American farm production in history. This prodigious output has made it possible for the United States to become a food supply base for the United Nations.

All of our tremendous food resources, however, are important only as they can be effectively mobilized against the enemy. Production is the first step, and the big one, but it is not the entire job. Our transportation, warehousing, and marketing facilities must be maintained at top efficiency. The food needed for our

armed forces and to help our allies must be bought, processed, stored, and transported by land and sea. It is a tremendous task--this buying, processing, packaging, inspecting, storing, and transporting millions of tons of many different kinds of farm commodities.

The Agricultural Marketing Administration of the Department of Agriculture, in which has been brought together most of the marketing work of the Department, has been charged with a large part of this responsibility. Along with its many other duties, it is buying huge quantities of food for shipment to Britain, Russia, and many other destinations. It also buys large quantities as a part of domestic price-supporting programs for the benefit of agriculture, using such purchases to support School Lunch programs and for distribution to needy families of which unfortunately, there are still many even in a Nation being rapidly mobilized for a total war effort.

Under a territorial emergency program, the AMA also is purchasing thousands of tons of agricultural products for shipment to besieged Hawaii, which after the treacherous attack on December 7 was cut off from its normal trade channels and shipping schedules. This food also goes to other American possessions, such as, Puerto Rico, and to various islands in the Caribbean Sea. They get rice, canned meat, flour, and other products for civilian populations now stranded without normal trade communications with the rest of the world. The Agricultural Marketing Administration also buys some food for the Red Cross and the Army and the Navy.

For these purposes, the AMA is purchasing some 300 different farm commodities. During the last 15 months, enormous quantities of agricultural products have been bought. The cost of these purchases totals about $1\frac{1}{2}$ billion dollars. This vast sum comes into a little better focus if we look at it on the basis of daily purchases. In June, for instance, this buying was going on at the rate of about 5 million dollars' worth each day. Total Lend-Lease deliveries to July 1 aggregated nearly 6 billion pounds of agricultural commodities which came from farms and ranches in every one of the 48 States.

Farmers in the South have supplied a considerable part of the products that have been purchased by the AMA. We have looked to the South for cotton, peaches, apples, canned tomatoes, evaporated milk, cheese, peanuts for oil, citrus fruits, cane sirup, eggs, corn meal, and other important war products such as rosin and turpentine, and many others.

Purchase programs of the Agricultural Marketing Administration fall into two broad categories. First, purchases are made primarily to provide agricultural supplies needed for Lend-Lease operations and other war purposes. Second, purchases are made primarily to support farm prices at levels necessary to maintain production, and by making the purchases available to low-income families, to increase consumption of certain products temporarily in superabundance.

I emphasize the word, primarily. This is because in effect, all Government purchases--whatever becomes of the food bought--tend to support prices by increasing demand. But before we discuss price support plans, let us go a little further into how these commodities are purchased and handled.

Two methods of purchasing are used by the Marketing Administration in procuring these vast quantities of farm products. First, as a general policy, the buying is done in such a way as to maintain the widest competitive market consistent with doing the job. Obviously, no fixed rule can be followed under all conditions. The offer-and-acceptance plan, which is well adapted to large-scale buying, is used most often. A second buying method is on the basis of specified prices. In each case the AMA announces its intention to buy. This intention to buy is made known to people in position to sell. The announcements state the details of how the purchases are to be made. They specify the time of receiving offers, the minimum quantity of the products that may be offered, the quality of products, and the type of packaging required; and when purchases are made at specified prices, the announcement states the top price that will be paid.

In substance, the offer-and-acceptance plan works like this: The AMA announces that it will need a certain quantity of a certain product during a certain period. Potential sellers are asked to submit bids setting forth how much they can sell, what prices they want, when and where they can deliver. When the bids are received, the Purchase Branch sorts out the acceptable offers, and they become contracts based on the terms of the announcements and the offers.

The specified price plan works in much the same way, except that instead of asking for bids, the AMA announces the prices it will pay. Sellers may offer to deliver at or under these prices. If all other conditions are met a contract results.

In some cases, to make sure that adequate quantities of certain foods will be available to meet requirements, the AMA asks processors and distributors to set aside or reserve from regular channels a certain part of their supplies under certain conditions. If the reservation request results in more than adequate supplies to meet requirements, the quantity not needed is allowed to be released for commercial distribution for civilian needs. In other cases, more formal and mandatory reservation orders are issued by the War Production Board. Such orders may include AMA requirements as well as those of other Government agencies. Canned fish and canned fruits and vegetables are examples of this procedure this year.

As Uncle Sam wants to make every dollar count, AMA purchases are made on the basis of AMA specifications. Products are bought on the basis of U. S. grades when they are available. Grades have not been established for all the 300 or more products AMA buys. This means that inspection is necessary to make sure that deliveries meet the specifications set forth in the contract. The AMA assumes responsibility for inspecting the products it buys. In some instances, the inspection is done by AMA employees; in others, by inspectors working under cooperative agreements between AMA and State or other semi-public agencies. The extensive standardization and inspection services developed in the Department of Agriculture over the past 25 years, as an aid to farmers and distributors in marketing and distributing farm products, are proving to be indispensable in this crisis.

Farm products inspectors are working long hours these days to see that the Government receives the quality and kind of product it buys. In addition to inspecting the products it buys, the AMA also inspects large quantities bought by the Army, the Navy, and other Government agencies.

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After the purchases have been made and the deliveries inspected, there is the big job of moving the products to ocean loading points or to storage. Transporting the commodities from the seller's plant or from warehouse to shipside also is the responsibility of the Marketing Administration. Time is a vital factor here. The AMA must be ready to take delivery at the specified time; otherwise, supplies may clog up the facilities of the processor and slow down future production. And there is the necessity of having the products at the docks when the ships are there. Ships can't wait around for cargo these days. Ships don't always arrive when we are told they will; sometimes they don't arrive at all. We must be prepared to meet these uncertainties. We must carry supplies at the ports or in warehouses readily accessible to the principal ports. We must avoid all possible congestion at the ports, and we must avoid delays in holding and unloading freight cars.

It is no simple matter to deliver this food to destinations thousands of miles away, across submarine-infested waters. And Axis submarines have taken a serious toll of the cargo ships of the United Nations, as you know. This shortage of shipping space has necessitated changes in the manner of shipping and in the kinds of food being shipped.

The need for obtaining the maximum use of available shipping space has focused attention on dehydrated and other concentrated foods. Many highly desirable foods such as evaporated milk, canned vegetables and fruits, and eggs contain considerable water or are difficult to handle. So, as far as possible, we are leaving the water at home -- sending dehydrated and concentrated foods that make it possible for one ship to do the job of four, or even more. Under modern methods, these dehydrated products retain practically all their food value and can be readily used.

Many millions of pounds of dried eggs, milk, vegetables, fruits, and dehydrated meats, are being purchased this year for Lend-Lease, as well as for the Army and Navy. To supply this need, dehydrating plants have been built or expanded and are running day and night. Unfortunately, our reduced supplies of metal have made it difficult for many new plants to be built. The chief expansion possible is through conversion of existing processing plants which requires a minimum of materials.

In purchasing for overseas shipment, it has been necessary to buy large quantities to fill requirements on time. Except in special cases, Lend-Lease food purchases are made from cooperatives, commercial processors, and distributors in carload lots. To buy and assemble small lots would be too slow and too costly. While it is rare that the farmer sells directly to the Government in connection with Lend-Lease purchases, he makes out just as well -- and with a lot less trouble -- by selling through regular channels which reflect the expanded demand.

On the other hand, when the AMA is purchasing primarily as a price-support measure, the products are purchased directly from farmers, farmers' markets, and farmers' organizations in many instances.

Price is a vital factor in all production. The Department of Agriculture is supporting the prices of a considerable number of farm products. These price-support programs take the form of purchases, loans, or related operations to insure producers reasonable returns for their

efforts, and to assure them of a market. These support programs are administered by various agencies within the Department, but the programs all work together. For instance, the Commodity Credit Corporation's loans on grains encourage the production of feed. That feed, in turn, is necessary to produce the extra pork and eggs and milk needed to help our allies continue the fight for freedom. Then the Marketing Administration supports the prices of pork and eggs and milk to be sure that enough are produced to meet the expanded needs.

One of the principal functions of price support today is to encourage sufficient production. The first command to the Department of Agriculture in this war is to keep production up. The first command of the Office of Price Administration is to keep the cost of living down. These two commands are vital to the war effort. The Department knows that it is necessary for farmers to receive fair returns for their commodities, just as producers of other war goods are entitled to fair returns.

Where specific increases in production have been requested by the Department, the general policy, as indicated by Congress, has been to support prices at not less than 85 percent of parity. To have the incentive to produce, the farmer must have an assurance of an outlet for his production, and a reasonable return for his effort. The Agricultural Marketing Administration attacks the problem on both fronts. It provides a vastly expanded outlet by purchasing for Lend-Lease, for School Lunch and School Milk programs, for direct distribution to needy families, and through the operation of the Food Stamp Plan. The foods that are purchased or used in these domestic distribution programs not only expand the farmers' market, but they also serve to build up the health and strength of the Nation.

The AMA has started another program this year to help broaden markets for some farm products. Many of you probably have heard about the Victory Food Special program, and some of you may have already been benefited through its operation.

It is a common occurrence to have local and temporary oversupplies of many of the more perishable products. The Victory Food Special program is designed to focus trade and consumer attention on foods in temporarily heavy supply in order to encourage wider distribution and increased consumption, thus avoiding needless market gluts and waste. By stimulating distribution and preventing waste, the program encourages more effective use of the Nation's total food supply. By encouraging the consumption of fresh perishable products in abundant supply, it relieves the strain on the canned and dried foods that can be shipped long distances to our fighting forces and to our allies.

The plan was developed in a conference in Washington last spring with producers, distributors, and public officials. When there is need to help the distribution of a certain product, that product is designated as a Victory Food Special during the period it is on the market in greatest supply. Merchants feature such products in store advertising and display material aimed at increasing sales. The entire trade -- producers, distributors, retailers -- and the consumers, too, have given their wholehearted cooperation in making this plan work. Nine products have been designated as Victory Food Specials in the past 3 months. Some of them were peaches, tomatoes, onions, snap beans, beets, spinach, and broilers. Cheese is to be featured during the period of August 17 to 29.

Naturally, all foods do not fit readily into this program. Before designating a product as a Victory Food Special, several questions must be satisfactorily answered. Have producers or their representatives expressed a desire for this assistance? Does the supply actually need such assistance? Is the product reasonably nutritious so that it will contribute to the well being of those who use it? Will the price apparently be at a level that will make the commodity attractive to consumers? Is there time enough to get the plan in action before the harvesting peak is reached? These and other similar questions must be considered to determine whether a food goes on the list. We have found that when a product does become a Victory Food Special, good results have been obtained.

This is a purely voluntary undertaking. The Department gathers the information as to where over-supplies are likely to develop so the entire distributive trade can organize itself to handle the extra supplies. Then it asks consumers through their more than 500,000 grocers to buy Victory Specials.

We must eat more fresh foods here at home, but we also need a great quantity of canned vegetables and dried fruits. To encourage adequate production to meet all civilian, military, and Lend-Lease needs, the AMA has supported these products through offers to purchase at specific prices. To insure an outlet for vegetable crops through canners, the Department has announced that about a dozen canned vegetables will be supported at specified prices through purchases by the AMA. The canners, with this guaranteed outlet, thus are able to proceed with their operations.

When announcing support prices for canner or other processors, the Department tries to make sure that the support price will reflect fair returns to producers. In some instances, the AMA will purchase from processors at certain prices only if the processor has paid a specified minimum price to growers for the raw agricultural products. This policy was followed with canned tomatoes and peas this year.

The Marketing Administration also is supporting other products--milk, butter, cheese, dry beans and peas, eggs and potatoes--through offers to purchase at specified prices.

Price support is a highly complicated matter. Prices must be set at levels high enough to bring sufficient production, but not so high that there is overproduction of one product at the expense of another that is equally important. Prices must be fair to growers but not so high that processors cannot operate under their price ceilings. Differentials for different parts of the country must be considered in some instances to keep the prices in line with those of the regular market.

Sometimes it is necessary to change price supports to bring about the desired production of each kind of food. This has been necessary for dairy products this year. The only effective means we have of directing the flow of milk into the production of the manufactured dairy products most needed is to adjust prices--some up, some down. The problem right now is to get milk to flow to creameries and to plants that manufacture dried skim milk by the spray process, to cheese factories, and to whole milk powder plants--and away from evaporating plants.

You may be interested in the story back of this, a story which illustrates how fast conditions change in the kind of a war we are now in. Aware that the demand for American dairy products would be great this year, the Department asked for a 1942 production of 125 billion pounds of milk. A considerable part of this expanded production was for our allies who had requested large quantities of dairy products. For example, the English at first said they would probably need 22 million cases of evaporated milk in 1942.

Our normal peacetime production of evaporated milk was only 50 or 60 million cases of evaporated, so we had to increase our production greatly to take care of the British requirements as well as our own. To get this production, the AMA increased prices for evaporated from \$2.63 a case in March 1941 to \$3.55 by the following October. As a result the rate of production more than doubled, reaching the rate of 120 million cases a year.

Then suddenly the shipping situation started growing worse; much worse. The only thing left for the British to do was to ask for milk in even more concentrated form. They reduced their request for evaporated milk to 7 million cases, and asked us to provide more powdered milk. They were fully justified in doing so. It takes about 121 ships of 5,000 tons each to carry 22 million cases of evaporated milk, whereas the same amount of food in the form of powdered milk can be moved in only 30 ships.

To meet this changed situation, shifts in production had to be made. The Agricultural Marketing Administration, however, did not let the farmer down. We continued to buy evaporated milk. We have a lot on hand, but it certainly will be needed in the period ahead of us. In meeting the more immediate needs for powdered milk it was necessary, however, to slow up the production of evaporated milk. This was done by reducing the relatively high prices being paid for evaporated. Production now is at the rate of about 80 million cases a year. Then to divert the milk into butter and powdered milk, prices for these products were increased. As a result, we expect more nearly to obtain the desired output of each product.

Frequently, emergency situations arise, such as the production of surplus eggs this summer in several Southern States. To help meet this situation, the AMA inaugurated a special buying program in the South, agreeing to buy eggs in lots as small as 10 cases. Ordinarily, the AMA had not accepted eggs in less than 100 case lots. Designated agents of the Administration bought these smaller lots from producers, cooperatives, and dealers at announced prices of not less than 85 percent of parity for each State. This helped to provide operators of small farm flocks with a cash market. These small egg producers have already received about \$250,000 from sales made under this program, in addition to the returns to southern producers selling in the larger lots under the regular offer-and-acceptance plan.

Incidentally, the dried egg program is an interesting story and a tribute to American energy and ingenuity. The drying of eggs was not a large business in this country. We had 16 firms who said they could dry 50 million pounds a year, but we used only about 10 million pounds. Our first Lend-Lease order was for 60 million pounds. That was somewhat of a shock.

We now have 85 firms with a capacity of 300 million pounds. There will be more. We have bought 213 million pounds. We started buying at 83 cents a pound in May 1941 and got as high as \$1.20 in October of that year. We are now paying around 95 cents a pound. We have taken about 13 percent of the total egg production. A new development is that dried eggs are now being packaged here in consumer-size packages ready for immediate distribution when they reach England.

Many strawberries were bought in the South early this summer. Strawberries do not seem to be such an important war product but they served a strategic purpose. These berries were purchased to send to England to be made into a spread for bread, and thus conserve butter and other fats and oils that are in short supply. These berries were purchased by handlers under contract with the AMA. The handlers packed the berries in wooden barrels which they filled with a preservative to keep the berries from spoiling on their trip across the ocean. For these strawberries, the Administration paid growers 8 cents a pound--somewhat above the regular market price--and provided a needed outlet for the late crop.

Transportation in all its forms is vital to agriculture. Practically everything that leaves the farm for market travels the first part of its journey by truck, and about one-third of the farm produce continues by truck from the local assembly point on to the distant terminal. From terminal to retail stores, again practically all foodstuffs are transported by truck. Consequently, our whole agricultural marketing structure is greatly dependent upon motor trucks for transportation.

But, during this war emergency, we cannot produce all of the trucks we need. We cannot even replace many essential parts, nor get enough rubber for enough new tires to go around. All of this means that when our present equipment is gone, replacements will be difficult if not impossible. The only answer to that problem is to make the most efficient use of our present equipment, to make it last as long as possible.

The Department is cooperating with the Office of Defense Transportation. It is using its facilities to urge and to help farmers in conserving transportation. Recently several of our men were sent to St. Louis to help work and plan for conserving transportation in bringing milk supplies to that city. They are working with farm groups, creamery operators, dealers, truck operators, and others, first to get the facts and then to see what the local people are willing to do or can do to effect economies in transportation. If this demonstration study shows what we think it will, it may be possible to work in a similar way with farm groups in other places.

There are many ways farmers can help with the transportation problem. One is by carefully planning marketing to minimize shipping and storage jams. For instance, this year we have about 105 million hogs, about one-fourth more than the year before. Ordinarily, our heaviest run of pigs to market is in December and January, but that practice could easily get us into serious trouble this year. Not only could there be inadequate transportation facilities, but packing house and storage facilities also might be overtaxed. So the Department is asking farmers to spread their marketing of pigs this fall and winter. Those who usually market their pigs in December are asked to feed early to good weights and market some of them a month or so earlier. Those who normally market their pigs in January can

hold some until February. By this means we can better handle, under existing conditions, the big and badly needed supply.

At present, the food supply situation is good. We have fairly large stocks and crops are good this year. But this is no ground for complacency. Don't let anyone tell you we have too much. As Secretary Wickard said recently, "There is no such thing as having too much of good food that will keep and ship well."

Although the present overall situation is bright, many difficulties lie ahead. Farmers surely will run into new problems: more shortages of labor, machines, fertilizer, and transportation facilities, and our weather cannot be expected to remain as favorable as it has been in the last few seasons. These problems will continue to make it difficult to produce the raw materials of food, but even so, they must be produced. To do so will take everything we have in the way of work, determination, and ingenuity.

Planning and directing the food production program also are important in doing the job. As you know, we now have a Foods Requirements Committee, headed by Secretary Wickard, and representing all Government agencies that have an interest or a responsibility in the war food situation. This committee has the job of seeing that enough food is produced to meet expanding needs of our armed forces, our civilians, and our allies. The Committee has to see about materials for producing and processing all that food.

I do not know what the 1943 requirements will be, but we can be sure that they will emphasize the important war foods such as milk, meats, eggs, dried fruits, some vegetables, soybeans, peanuts, and the others.

It is a matter of good food strategy to produce less of the foods we do not particularly need so we can produce more of those we must have. That is simply a wise use of our labor, time, and land. When the requirements are announced, farmers and their advisors should study them and understand them, and then do everything possible to meet them.

An understanding of requirements is important. Some farmers this year took the goals to mean that everything should be increased, which, of course, the Department did not ask.

It has been possible to mention only a few of the activities of the AMA. There is not time to discuss many other ways in which it is helping farmers and distributors. Most of you know of its work in furnishing daily market reports to keep you informed of changes in the markets; of the standards which have been developed for uniformly describing your products as a basis for sale, and the issuance of inspection certificates on individual shipments. There is not time to discuss the many laws it administers, such as the Federal Seed Act, the Perishable Agricultural Commodities Act, the Insecticide Act, the Packers and Stockyards Act, and others, which protect you from unfair and deceptive practices both as to certain things which you buy and sell. But wherever and whenever possible, with the facilities available the AMA will continue to assist farmers in marketing their crops and livestock.

In working to reach the peak of production and the efficiency of marketing that we must have this year, the Department is receiving

splendid cooperation from farmers' organizations! The Farm Bureau Federation, and other organizations, are doing a magnificent job; rendering a service to the Nation as well as to their members. It is in times of stress, such as these, that the work of these farm organizations is of most importance!

In the tough days that lie ahead, we on the farm front must continue to cooperate, to work together even more closely than we have in the past. Every one of us has a common cause; the defeat of the Axis and the founding of a peace that will insure the common people their rights and freedom.